Approved For Release 2010/08/10 : CIA-RDP90-00494R001100710038-7

Ronald Rewald and the CIA

Coming trial may shed light on shadowy ties between the 2

By JACK NORMAN
of The Journal staff

The criminal trial of Milwaukee-born Ronald Rewald is scheduled to open in Honolulu Federal Court on Aug. 5, two years to the week after he was found in a Hawaiian hotel room, wrists slashed.

The night before, he had watched a Honolulu TV station expose some of the seamier side of his investor consulting firm and his millionaire life style. He feared his secret work for the US Central Intelligence Agency would be exposed.

Rewald is one of the most extravagant alleged swindlers ever to come out of Milwaukee.

He certainly was one of the city's most unusual home-grown secret agents.

In the trial, the government is expected to argue, in a prosecution one prosecutor said would take two to four months, that Rewald defrauded nearly 400 investors of about $22 million and spent millions of that on his lavish palm-club lifestyle.

The defense is expected to argue that he operated under orders from, and with the knowledge and consent of, the CIA.

What's at stake in his trial on 86 counts of fraud, perjury and other charges is more than one man's criminal guilt or innocence. At issue also is how much the public will be allowed to learn about the involvement of the CIA in international finance.

There is no doubt that Rewald was involved with the CIA, and that the CIA was involved in some of his international dealings.

The agency has confirmed, for example, that it had him sign one or more of its pledges to secrecy. It acknowledged asking him in 1978 to set up two dummy corporations which it used as covers for covert operations in the Far East.

The CIA has said that the checks to Rewald made out by CIA Honolulu station chief John Kludacki, another Wisconsin native, were to pay the phone bills for the dummy companies, and that an undisclosed number of CIA agents operated out of Rewald's worldwide offices. Kludacki himself joined Rewald's firm as his top aide.

For two years, the agency has successfully fought in the courts to keep Rewald's CIA claims out of public testimony and to keep any of the hundreds of CIA documents he has asked for out of open court. The trial may be the last opportunity for public disclosure of the agency's involvement in his financial dealings.

Please see Rewald, Page 6

The Milwaukee Journal Business
Sunday, July 28, 1985
Front Page

Approved For Release 2010/08/10 : CIA-RDP90-00494R001100710038-7

Approved For Release 2010/08/10 : CIA-RDP90-00494R001100710038-7

Ronald Rewald, it appears, was a man operating on the boundaries: the boundary between legitimate business activity and criminal fraud, between private business dealing and secret intelligence work. He and the CIA were useful to each other.

Rewald had always been an ambitious businessman. In Milwaukee, he had risen from a sporting-goods salesman to the owner of College Athletic Inc., an old-line supplier of sports equipment to schools and teams.

He had the idea of franchising his store around the state, long before the concept of franchised sporting-goods stores took hold in shopping malls. Unfortunately, he sold a franchise to two men in Wausau, Wis., without registering it with the state, and pled guilty in 1976 to a misdemeanor. His company failed, and the next year, after both business and personal bankruptcies, he left Milwaukee for Honolulu.

Within a year he had established an investment counseling company. Five years later, he had built the Bishop, Baldwin, Rewald, Dillingham & Wong firm into a million-dollar-a-month operation. But several state and federal agencies were investigating him, and when this was reported on Honolulu TV, Rewald attempted suicide.

Among the business deals with Wisconsin connections that he was working on at the time of his crash were an attempt to open a version of Milwaukeean David Baldwin's Cafe House bar in Honolulu; a $20 million real-estate development project with Milwaukee's Northwestern Mutual Life Insurance Co.; a marketing arrangement with Milwaukee's Rose Co., which makes oil-production equipment; and a plan to open a Hawaiian version of Tommy Bartlett's water show.

Rose Co. owner R.J. Rothen learned that something was going wrong when he got a phone call shortly after the suicide attempt. The call was from Singh Pearich, Rewald's Indian associate.

Remembers Rothen: "I got a call from Pearich in New Delhi saying, 'Don't worry about what's happening in Hawaii, we still have a deal.'"

Rothen, who had been negotiating for Rewald's firm to represent his in India, Indonesia and other places with oil-field development potential, took his business elsewhere.

Some of Rewald's other business deals are murkier.

The Fund of India, for example, supposedly a stock fund investing in Indian companies, was described by Rewald as designed to allow wealthy Indians to smuggle money out of the country.

On the fund's board of directors were Rewald, Baldwin, Pearich, Pearich's daughter, then a Marquette University student, and Gaylord Nelson, the former Wisconsin governor and senator.

Nelson said he didn't know about the fund, and first learned about it, and Rewald's problems, in a phone call from Baldwin in 1983.

"Mr. Baldwin is the first one that notified me, saying that my name had been used," recalled Nelson, who now heads the Wilderness Society in Washington, D.C. "Baldwin called me saying that Pearich was concerned that I might be embarrassed."

Baldwin has denied Rewald's claim that the fund was a money-exporting scheme, as well as Rewald's claim that Baldwin, Rewald and Pearich were negotiating a secret sale of military equipment to some Indians. Baldwin said the aircraft under discussion were for oil-field projects.

The Indian arms deal was discussed in a 1982 conversation between Rewald and Jack Ruffin, then CIA Honolulu station chief. Rewald taped the conversation, having begun to worry about an Internal Revenue Service investigation and the possibility that the CIA would abandon him.

Other international dealings were under CIA direction, Rewald claims. Among the documents retrieved for him from his office and home before government agents swept through to remove CIA-connected items are lists of questions about the economic and political situation in Argentina, Indonesia and Thailand, lists he claims to have been given by the agency.

Rewald traveled to Argentina while that country was at war with Britain, pretending to be interested in buying a bank. All the while, he says, he was obtaining information on the effect of the crisis on the Argentine banking system.

As The Journal earlier reported, a Rewald associate, Robert Jaks, told the Securities and Exchange Commission that while in Argentina, Rewald used CIA intelligence to engage in real-estate speculation, buying properties being dumped by wealthy Argentines who feared a British invasion.

At the time of his collapse, Rewald was preparing to hire onto his staff one John Sager, whose resume describes him as a CIA specialist on Soviet and Middle East affairs, including a tour as "senior CIA representative in Moscow."

The CIA has said that it learned early in 1983 that some of its agents who were working with Rewald were in a conflict of interest, mixing personal investments with agency business. The agency investigated only after Rewald brought his IRS problems to the CIA's attention with repeated pleas for them to call off the IRS to avoid blowing his cover.

One CIA agent working for Rewald since 1979, going by the name Richard P. Cavanaugh, wrote Rewald in June 1983, after receiving orders from CIA headquarters to clean up his Bishop, Baldwin activities. "Thanks for getting everything closed out for me." Cavanaugh wrote. "Unfortunate, from my view, but it at least clears the air with my home office who are now seemingly satisfied that there is no 'apparent' conflict of interest.

"They were not arguing that there was any 'real' conflict of interest, but [agents] must be Simon pure," he wrote. "I also assume your 'tax problem' has also been taken care of." Cavanaugh added.

In its 1985 report, the US House of Representatives select committee on intelligence wrote: "The committee as a practice does not publicly comment on cases currently being tried, but the Rewald case in Hawaii requires some mention.

"The committee can find no evidence that the CIA instructed Mr. Rewald to engage in the financial activity that has brought him before the bar of justice. The committee is concerned, however, that one or more CIA employee may have acted in an unprofessional way, endangering their own and others' cover, in their eagerness to make what they thought would be enormous profits by investing money with Mr. Rewald."

Was the CIA guilty only of allowing some of its employes to become too greedy? Or was the agency itself too greedy in the use it made of Rewald?

The real fight at the upcoming trial will be between the government's attempt to restrict testimony and evidence to non-agency matters, and the defense's desire to bring out as much as it can about the connection between Ronald Rewald and the CIA.

Approved For Release 2010/08/10 : CIA-RDP90-00494R001100710038-7

Approved For Release 2010/08/10 : CIA-RDP90-00494R001100710038-7

How did Rewald get MU credentials?

One of the puzzles surrounding Ronald Rewald, expected to figure prominently in his trial, is the Marquette mystery.

How did he get the two Marquette University diplomas that hung on his Honolulu office wall, one a law degree, one an undergraduate business degree? How did his name get on the university's computerized alumni roster?

He didn't earn the diplomas. All parties agree they were fakes. Rewald never enrolled for credit there.

Rewald's story, as set out in a sworn affidavit filed with US Bankruptcy Court in September 1983, six weeks after his firm's collapse, is this:

In 1978, Rewald met with Eugene Welch, chief of the Central Intelligence Agency's Honolulu office. Welch, said Rewald, suggested setting up the Bishop, Baldwin consulting firm. Wrote Rewald:

"As we discussed my specific role with Welch, which was to involve my visiting numerous foreign countries in my role as an international business consultant, and attempting to cultivate social and business contacts with wealthy and well-placed businessmen and government officials, I became concerned that I did not have, and needed to have, something sufficient in the way of academic credentials to carry off the cover of an international businessman.

"Welch said that I would therefore be given degrees from Marquette University in both business administration and in law. . . . Subsequently, I received from the CIA printing office in Washington the two parchment degrees. . . .

"As part of the Marquette University cover, the CIA also arranged for me to be enrolled in the Marquette Alumni Association and gave me a Marquette class ring."

The government says these are lies, and Rewald was charged with perjury. The issue is important because the key issue in his trial will be how much the CIA helped him post as something he wasn't.

Marquette officials say they have no idea how he got the diplomas.

A printout of Marquette alumni, dated Oct. 23, 1980, lists Ronald R. Rewald with a Honolulu address and an identification number. That number identifies Rewald as a 1964 graduate of the law school, explained Al Eberle, director of alumni.

Tom Montagel was alumni director in 1980 when Rewald wrote the university, asking for the names of Marquette alumni living in Hawaii, saying he wanted to do fund-raising work. Montagel, now at the University of Dayton, remembers looking him up on the alumni roster, finding his name and sending the list.

The standard criterion for getting on the roster, Montagel explained, was attendance at Marquette for one full year or its equivalent.

So how did Rewald's name get on the list? Montagel didn't know. Nor did current alumni director Eberle.

It wasn't the first time Rewald posed as a Marquette grad. A 1974 Milwaukee Sentinel profile of Rewald's sporting goods store, College Athletic Inc., describes him as a Marquette business administration graduate.

Did Rewald make it all up himself? Did he arrange to get his name on Marquette's computerized alumni roster? Did he buy forged diplomas?

Or did his earlier experience in passing himself as a graduate lead him to suggest that to Welch? Did the CIA get his name on the roster and acquire the diplomas?

Either way, it seems, someone tampered with Marquette's alumni roster.

The CIA may not be serious to have these questions discussed in open court. US attorneys recently asked that the perjury charges, relating to Rewald's claims about Welch, be severed from the remaining charges. They did not want a public trial on the issue.

But a federal judge refused, saying prosecutors waited too long to file the motion.

So a courtroom battle is set, to try to settle, among other things, the Ronald Rewald Marquette mystery.

—JACK NORMAN

The Milwaukee Journal Business
Sunday, July 28, 1985
Front Page

Approved For Release 2010/08/10 : CIA-RDP90-00494R001100710038-7

Approved For Release 2010/08/10 : CIA-RDP90-00494R001100710038-7

The Milwaukee Journal Business
Sunday, July 28, 1985
Front Page

Who is Ronald Rewald?

Personal:

- 42 years old, married, five children, lives in Los Angeles.
- Born and raised on Milwaukee's South Side; graduate of South Division High School; attended Milwaukee Institute of Technology (now Milwaukee Area Technical College) early 1960s.
- Moved from Milwaukee area to Honolulu in 1977 after business and personal bankruptcy; to Los Angeles in 1984 after 1983 business bankruptcy, suicide attempt, and felony theft charges.

Business:

- Sporting goods salesman, Milwaukee, 1960s.
- President, College Athletic Inc. sporting goods, Milwaukee, 1972-75; firm went bankrupt in 1975.
- Chairman of the board, Bishop, Baldwin, Rewald, Dillingham & Wong, Honolulu-based consulting firm, 1978-1983; firm placed in involuntary bankruptcy in 1983.

Legal:

- Pled guilty in Wausau, Wis., to misdemeanor for selling franchise in sporting goods store without registration, 1976; paid $2,500 restitution.
- Charged with two counts theft, Honolulu, 1983.
- Sued CIA for $87 million for allegedly ruining his company and reputation, 1984.
- Charged with 100 federal counts in connection with alleged $22 million fraud, 1984 (2 counts later dropped on technical grounds).

A look at the charges

Rewald's trial on 98 charges is scheduled for Aug. 5, federal court, Honolulu.

Prosecutors will argue he charmed $22 million from about 400 investors, including family, friends and employes. He lied to them, indictment charges, saying his was old-line investment firm making safe but lucrative short-term international investments.

Rewald promised return of 25% per year, with accounts insured up to $150,000 by a federal agency.

Charges include:

- Securities fraud (66 counts);
- Mail fraud (37 counts);
- Perjury (4 counts);
- Income tax evasion (4 counts);
- Interstate transport of stolen funds (3 counts);
- False statements to federal agencies (4 counts);
- Misrepresentation concerning Federal Deposit Insurance Corp. insurance (6 counts);
- Improper behavior as investment adviser (2 counts).

Indictment says only $623,000 of $22 million went into business deals. Remainder allegedly went:

- To maintain Rewald's "exceptionally lavish lifestyle;"
- To "maintain a false facade of legitimate investment activity;"
- To pay back investors who asked for money, creating "the illusion that investments had been made which produced earnings."

Indictment says Rewald spent $5.58 million of investors' money on women, polo, horses, houses, ranches, cars, and other personal expenses.

Also says he lied in sworn statements when claiming firm created and operated under instructions from CIA.

Rewald's defense

"I am, and for the past five years have been, a covert agent for the Central Intelligence Agency."

This Rewald claim, in sworn 1983 affidavit for US Bankruptcy Court, is basis for his defense.

CIA confirms using firm and some subsidiaries as cover for secret agents; confirms Rewald signed employe secrecy pledge; denies responsibility for firm's activities.

Rewald says CIA suggested setting up Bishop, Baldwin in 1978; suggested using names of old-line Hawaiian families in company name; suggested false story about its history and size.

Rewald says CIA in 1980 "began using the Bishop, Baldwin investment account as a vehicle in which to place funds . . . to be used in foreign operations overseas . . . to shelter monies of highly placed foreign diplomats and businessmen."

By 1983, Rewald says, CIA work included economic intelligence in Chile, Argentina; arms deals in India, Taiwan; prisoner-of-war search in Cambodia; illegal currency transfers in Greece.

CIA funded polo-club lifestyle, Rewald said, to help cultivate relationships with Asian, Arab billionaires; also provided forged Marquette diplomas to give him academic respectability *(see accompanying story)*. To help run intelligence activities, he says, Honolulu CIA chief — Wisconsin native John Kindsehl — "left" agency to join firm.

Access to international investments now blocked, he says, by danger to influential people from exposure of CIA ties.

CIA affiliation began mid-1960s, he says, when he was hired to spy on protest activities at University of Wisconsin — Madison.

Can Rewald prove charges? Government has tried to keep CIA documents from him. Prosecutors tried to drop perjury charges — relating to CIA claims in affidavit — to avoid introduction of CIA material as evidence.

Unknown how much CIA information will be allowed at trial.

Approved For Release 2010/08/10 : CIA-RDP90-00494R001100710038-7